Consolidated Building Corporation Limited

Report to Shareholders 1977

Contents

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Listed
Toronto Stock Exchange
Montreal Stock Exchange
Vancouver Stock Exchange

The financial statements for the year ended February 28, 1977 once again reflect considerable improvement over the previous year despite a generally poor economic background in both Canada and other parts of the world.

Higher earnings, a stronger financial base, a broader and more diversified land inventory and increasing revenues from investment properties are the results of continuing long range business planning.

Financial

Earnings for the latest fiscal year rose to $3,306,000 or 52 cents per share from $2,372,000 or 37 cents per share. This improvement is the result of progress in projects undertaken previously—notably The Villages of Heart Lake at Brampton, Ontario. A total of seventeen hundred building permits were released in the first year after registration and one thousand permits will be provided annually until its completion.

Mainly as a result of the opening of the Heart Lake project, sales of real estate rose to $35,714,000 from $27,978,000—a significant reversal after the decline of last year which was caused by delays in registration.

Total revenue rose to $40,335,000 from $32,281,000, derived from increased income in all operating departments.

Cash flow from operations was $6,811,000 or $1.07 per share as compared to $2,682,000 or 42 cents per share in the previous fiscal period.

Review

This is the 15th Annual Report since Consolidated Building Corporation became a public company with its shares listed on the Toronto, Montreal and Vancouver Stock Exchanges. Throughout this time, your Company has been an important supplier of housing across Canada and, for the past ten years, primarily for people living in the Toronto centred region of southern Ontario. As a result of the activities of your Company, some 100,000 people have been able to obtain quality housing suited to their desires and financial abilities. This is the equivalent of a good-sized city.

Since we completed the capital reorganization of the Company in 1971, our operations have been successful and this has been reflected in our growth. Total assets have increased from $24.5 million at February 28, 1971 to $109.4 million at February 28, 1977. Shareholders' equity currently is $20,153,000 compared with $2,135,000 in 1971. A more realistic indicator of the worth of a real estate company is the market value of its assets since much of the activity related to developing land and building causes unrecorded increases in asset value. Indeed, land and investment properties properly purchased and managed increase in market value as they mature.

In management's opinion, the value of assets held by Consolidated Building Corporation—including revenue producing properties—is $144,000,000. This value is calculated annually for purposes of financing and should be viewed only as an indicator of the substantial resources now within the Company.

A more detailed review of our real estate holdings is contained elsewhere in this report. These holdings reflect a policy of diversification and participation in Joint Ventures rather than a concentration in single or a few large-scale property developments.

Participation in Joint Ventures permits the Company to exchange its expertise for an equity position and to participate in a greater number of development projects. Generally, our partners provide the bulk of the financing while both parties share equally in the profits.

Today Consolidated Building Corporation has interests in eight land development projects embracing 3,450 acres with sites for a potential 16,000 residential units. These holdings are located in seven municipalities.

The ability to finance so many projects is a further reflection of the substantial value of the underlying assets of the Company and the expertise and knowledge of management.

Outlook

The past year marks a start of an upward trend in the cycle of development of property by your Company. We can already foresee an increase in sales of building lots and homes during the next year. The Company is working within the framework of government programs which are designed to provide lower cost housing.

The major portion of our land holdings is now in the development process and our plans and applications are before the various governmental agencies. Our policy is to work as closely as possible with Government and the existing communities. We believe that involving people in our planning process improves the quality of the development and facilitates approval by the authorities. In one instance we have established a community concept centre where we work with the residents of the Town of Brooklin in evaluating a suitable development plan for 1,250 acres of land. Although development is not scheduled for this coming year, we want to be

certain our planning is in line with the community objectives.

Rental income should increase with the completion of the leasing of The Crossways project. This development was brought on stream March 1, 1977 and will generate about $4 million annually in rental revenues. This will more than double the total rental revenue of the Company.

We are planning a substantial addition to the shopping centre in Barrie which will increase income from that source.

Your Company owns 1,630 rental apartments in Toronto. While the rent control legislation in Ontario is cumbersome, we have adapted to it. More than half of our rental portfolio is not affected by rent controls. The Ontario Government, while continuing this legislation, recently introduced proposals designed to increase the construction of rental accommodation. We do not expect this to have any significant effect on the Company's activities.

We believe that the increasing cost of energy is changing much of the public attitudes and preferences in favour of close-in city locations. As a result, your Company has undertaken a program of development of housing within the older parts of the City of Toronto.

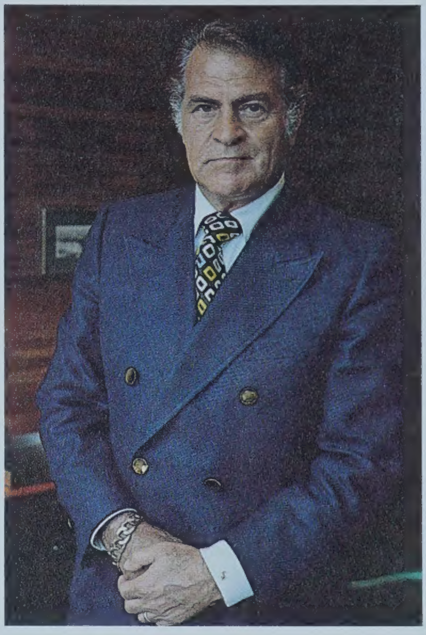
Urban Habitat Inc. has been formed for inner-city developments. The projects to be undertaken by this company fall within the city's planning objectives and comply with zoning and other by-laws both as they exist and as proposed by the City of Toronto's zoning by-law which is currently before the Ontario Municipal Board. These developments are innovative and are being undertaken with the knowledge and support of many of the city's elected representatives.

In General

The continuing success of your Company is the result of policies aimed at meeting a public need by working closely with both citizens and Government. We are able to contribute the knowledge and expertise of our management and staff in working towards the common goal of providing housing, shopping and other community facilities at high standards of quality. Recognition of this comes from the public acceptance of our projects and through the honour of having received three design awards from the Canadian Housing Design Council during the past year.

During the year we were saddened by the untimely death of Francis D. Cavill who had been Vice-President of investment properties since 1969. We will miss his loyal and valued service to the Company.

Only through the knowledge and skills of all the people connected with Consolidated Building Corporation can this Company continue to meet its goals. We express our appreciation to staff and associates.



On behalf of the Board of Directors.

L. Shankman

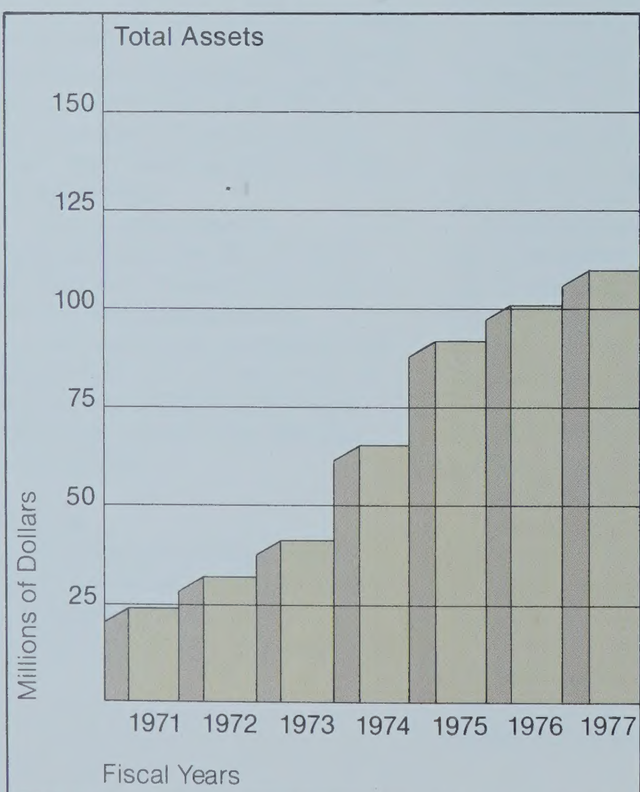
Lawrence Shankman
President and
Chief Executive Officer

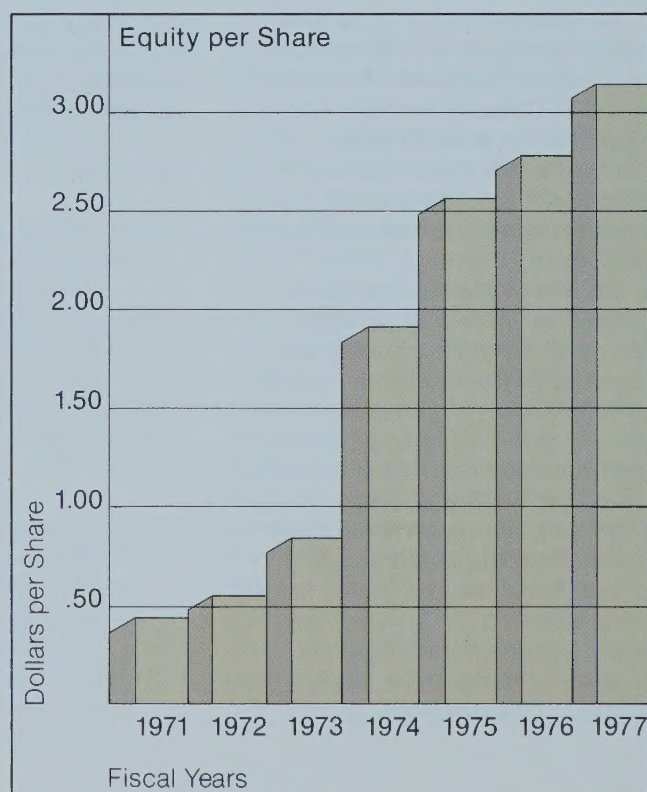
Financial Highlights

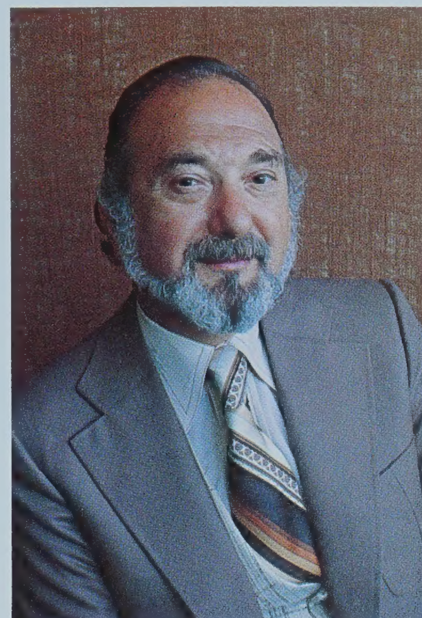
Consolidated Building Corporation Limited
Seven Year Comparison

(thousands of dollars)

	1977	1976	1975	1974	1973	1972	1971
Revenue	$40,335	$32,281	$47,578	$35,565	$28,878	$17,560	$14,821
Earnings before Tax	6,506	4,747	10,002	6,701	2,888	1,039	832
Net Earnings	3,306	2,372	4,602	3,201	1,338	519	457
Net Earnings per Common Share	52¢	37¢	72¢	57¢	28¢	11¢	9¢
Cash Flow from Operations	6,811	2,682	8,089	4,588	3,205	1,231	943
Cash Flow per Common Share	$1.07	42¢	$1.27	82¢	66¢	26¢	20¢
Assets	109,438	100,583	91,755	65,375	41,429	31,911	24,471
Shareholders' Equity	20,153	17,802	16,385	11,913	4,146	2,600	2,135
Dividends per Common Share	15¢	15¢	10¢				
Number of Common Shares Outstanding at Year End	6,368,329	6,368,329	6,368,329	6,195,329	4,955,870	4,821,829	4,821,829
Return on Shareholders' Average Equity	17.4%	13.9%	32.5%	39.8%	39.7%	21.9%	24.0%






Somer Rumm,
Vice-President, Land Development


James McFarlane,
Vice-President, Operations


Martha Fairfield,
Secretary


D. Norman Morris,
Vice-President, Finance

Residential Construction

1. Clarkson—Inverhouse Manor
2. Mississauga—Meadowvale
3. Scarborough—Morningside and Lawrence
4. Toronto—Lonsdale House
5. Toronto—The Masters
6. Guelph
7. Scarborough—Malvern
8. Mississauga—Erin Mills
9. Brampton—Villages of Heart Lake
10. Kitchener
11. Burlington
12. Toronto—Queen and Leslie
13. Toronto—Broadview Avenue
14. Toronto—Church and Carlton

Land Development

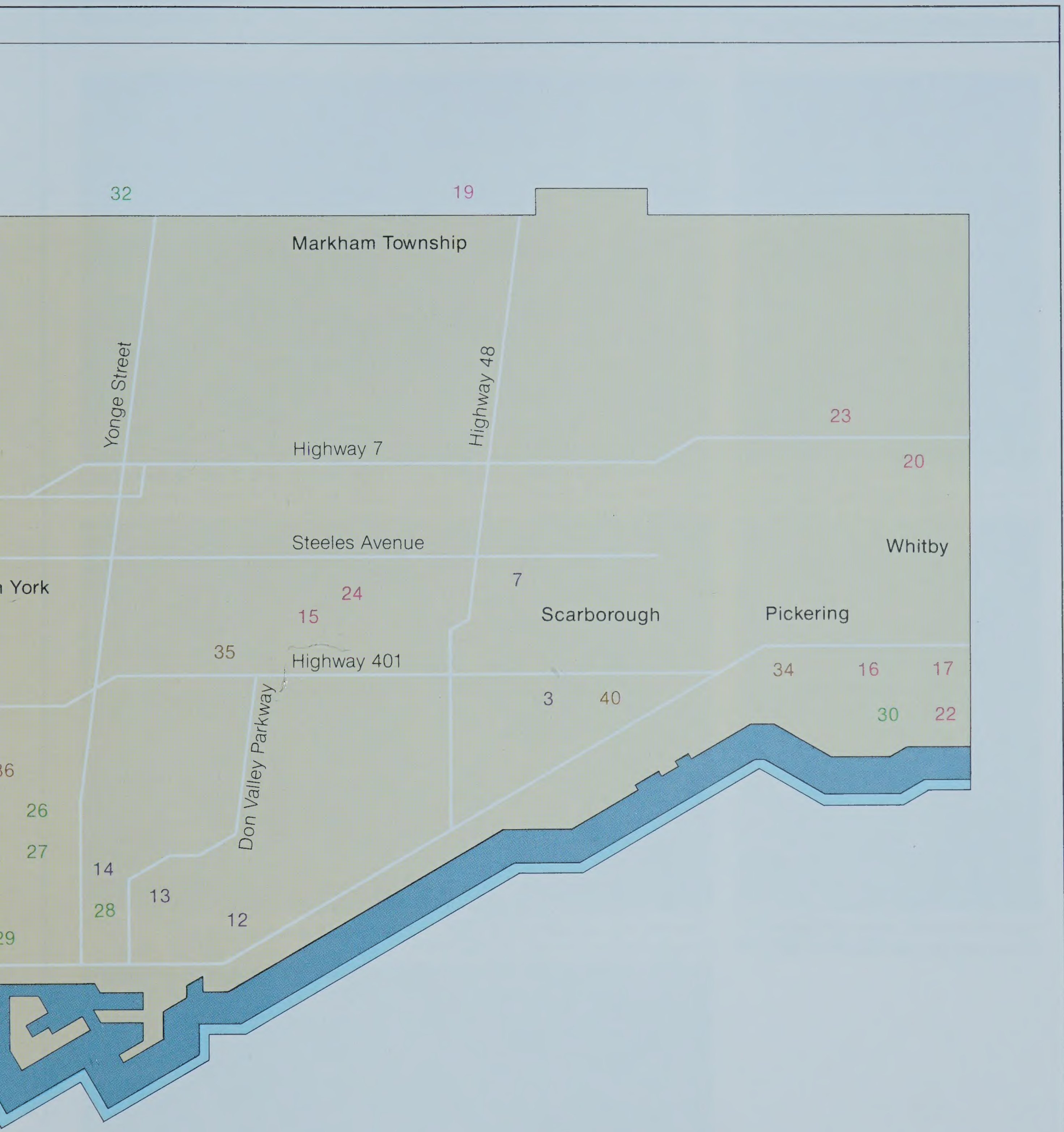
15. Scarborough—Rosewood
16. Whitby—West Lynde
17. Whitby—Thickson Road
18. Brampton—The Villages of Heart Lake
19. Keswick
20. Oshawa North
21. Mississauga—Erin Meadows
22. Durham Region—Oshawa
23. Whitby—Brooklin
24. Scarborough—Milliken
25. Peel Region

Investment Properties

26. Toronto—99 Avenue Road
27. Toronto—National Motor Inn
28. Toronto—40 Gerrard Street East
29. Toronto—260 Richmond Street West
30. Whitby—Industrial Mall
31. Toronto—Walmer Place
32. Barrie—Shopping Centre
33. Toronto—The Crossways

Property Management Contracts

34. Bayshore Heights
35. Spanish Villas
36. Lonsdale House
37. Estoril Road
38. Shelter Bay
39. Inverhouse Manor
40. Villas of Morningside



Greater Toronto

Anticipating Needs and Wants

Consolidated Building Corporation generates its revenues from three major areas of operations—land development, residential construction and investment properties and property management.

The following pages review activities in each of these areas.

Land development and house construction make up the core of the real estate development industry—the business of meeting essential Canadian social needs for housing and community facilities.

Consolidated Building Corporation has been a developer of land and a supplier of homes for over twenty years. Since incorporation, your Company has provided housing for some 100,000 people. This is an accomplishment in which shareholders and employees—indeed, everyone connected with your Company—can justifiably take pride.

Housing is the key element. Shopping centres, schools, churches, civic centres and other community amenities are a progression from the housing activity generated by this industry.

Success in this field is achieved by building housing that people want at prices they can afford. This goal is fraught with many difficulties and obstacles. Probably the most difficult obstacle is forecasting the type of housing required several years before the actual construction commences.

Today housing development can require a time span of two to seven years from the time that the initial business judgement to select the land is made to the time when houses and apartments are actually placed on sale. We do not know of any other industry meeting the needs and wants of the individual which has such lengthy lead times.

Experience of the management group is a key to successfully anticipating the future. Experience develops a sensitivity to what is possible and practical.

Your Company's management group, using its background of experience and expertise, calls upon the specialized knowledge of experts in town planning, social planning, environmental considerations, transportation, engineering and other areas in meeting with the real needs of people for housing and commercial facilities.

Property development projects today tend to be on a larger scale than in the past. Therefore, it is more important than ever that careful study and planning be undertaken so that when houses, apartments and commercial facilities become available ready customers are found. When judgement is sound, results are rewarding and are measured by public acceptance.

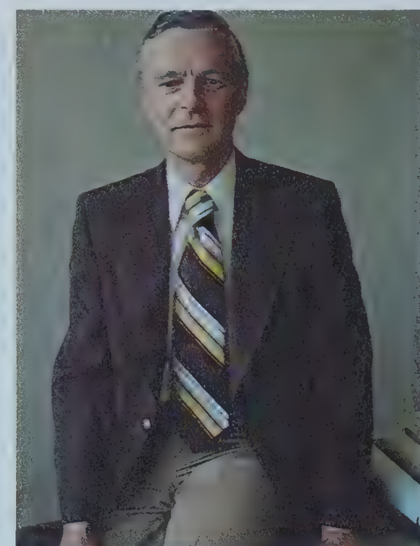
The Villages of Heart Lake illustrate how an awareness of the unique features of the area at Brampton and the needs of the public combined in producing an extraordinary success. Heart Lake has been developed to combine the qualities of country living with easy access to the city. The property adjoins the Heart Lake Conservation Area. Our development adds to the natural facilities and introduces a new man-made lake and trails for horseback riding. An offering of 180 townhouses by your Company was sold within seven weeks. Sixty-two homes were sold during the opening weekend.

The Crossways project of apartments and shopping centre is unique in its location. This is the only place where the Toronto subway system and the Province's north-westerly GO train system intersect. Redevelopment of the area was based on the concept of a self-contained community for all age groups and a very active population. The Crossways provides, along with other recreational facilities, an artificial ice rink for its residents. The results have been rapid renting and a continuing high occupancy rate.

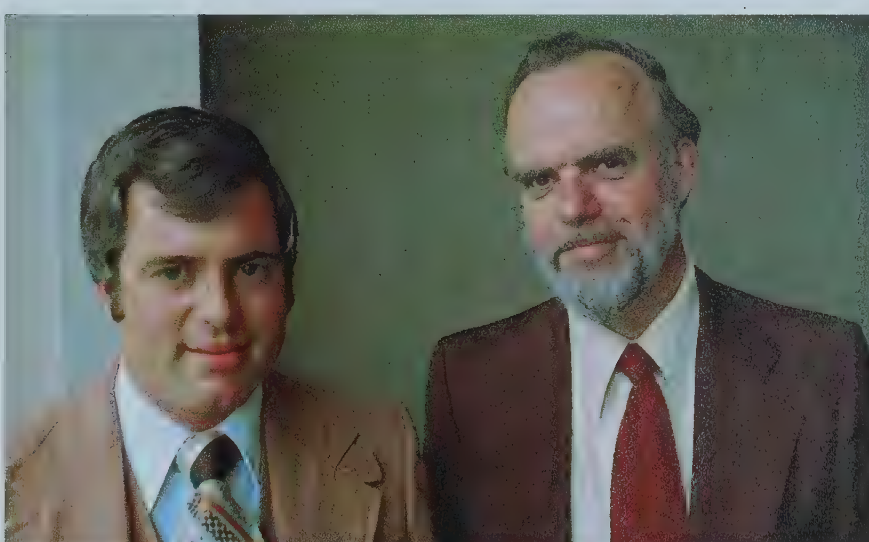
The Brooklin development, embracing 1,250 acres, is in the early planning stages and probably a few years away from active sale of building sites. To be certain that the development is carried out in the best possible manner, your Company has established a community concept centre in the heart of Brooklin where residents are invited to participate and assist in our effort to assure that future growth be integrated with the charming and pleasant atmosphere of that community. We would like the citizens of Brooklin to realize the maximum benefits growth can bring. The people who eventually buy homes in Brooklin should have their needs met at reasonable and realistic prices.

Gerald Doyle–
Controller

Glenn Johnston–
Assistant Controller



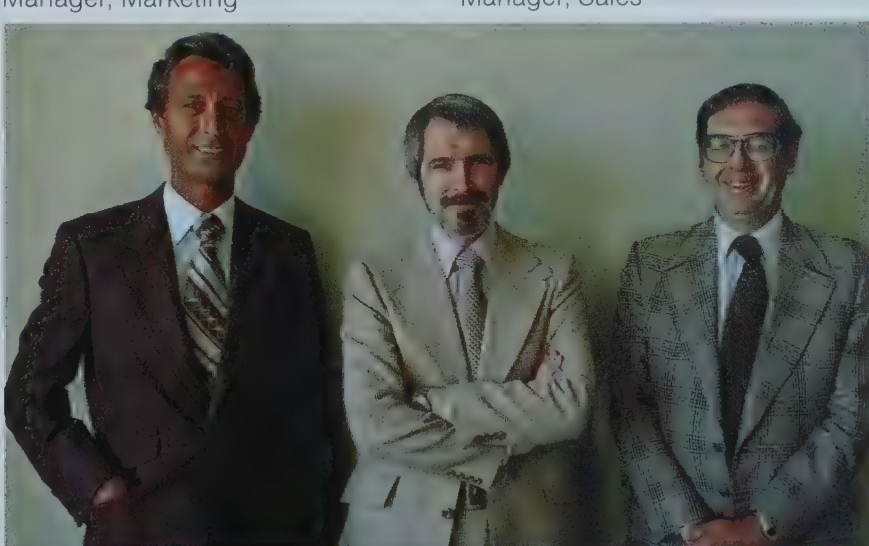
David Strachan–
Manager, Land Development



Peter Lesser–
Manager, Marketing

Gordon Finnigan–
Manager, Sales

Don Orme–
Manager, Property



Colin A. Blight–
Manager, Construction (Housing)

Ian Dawson– Manager, Planning
(Apartment and Commercial)

Robert Saunders–
Manager, Planning (Housing)

The future of a real estate company depends to a large degree on the properties it holds for development and construction.

Consolidated Building Corporation has a land inventory of 3,450 acres. Much of this land is presently being processed through the necessary approval systems. We also have building lots in the completed stage, some of which we are using for our own construction and others which may be sold.

This summary reports what is underway and indicates what activity can be expected over the next few years.

Brampton
—The Villages of Heart Lake

This fully planned community comprising approximately 4,250 residential units, a 35-acre town centre and a 100-acre industrial park is a Joint Venture project in which your Company owns 50% and is the managing partner. Installation of services has been completed in phases one and two and will continue in phases three and four this summer. Approximately 1,400 lots for single, semi-detached and street townhouse units have been sold to date. Your Company has purchased 512 of these lots for its own construction program. Seven blocks, for the construction of 282 condominium townhouses, were sold recently. Additional lots are being made ready for sale this fall.

Durham Region

Your Company has a 50% interest in approximately 250 acres of land east of Metropolitan Toronto. Development of these lands is expected in 1978.

Keswick

A 50% interest is held in 108 acres in Keswick. Detailed plans are being discussed with the Township of Georgina and development of 400 homes is expected to begin in 1979. Consolidated Building Corporation manages this project.

Mississauga—Erin Meadows

Your Company has a 50% interest in 670 acres and is the managing partner. The draft official plan of the City of Mississauga designates 620 acres as residential and 50 acres as industrial.

The City of Mississauga is expected to decide within the next few months when these lands may be developed. We have signed an agreement with the Ontario Ministry of Housing providing for its assistance in expediting this development. Your Company has agreed to set aside a portion of the homes for sale to moderate income buyers.

Peel Region

Your Company has purchased a 50% interest in and is the managing partner for 130 acres west of Metropolitan Toronto. We are working towards the finalizing of development plans on these lands within two years.

Scarborough—Milliken

This 50-acre parcel of land is proposed for medium density housing. It is expected that a total of about 800 units will be built consisting of semi-detached homes, townhouses and apartments. This plan has now been approved by the Ontario Municipal Board and construction will begin as soon as final approvals from governments are received.

Scarborough—Rosewood

Draft plans have been submitted covering seven acres of residual land. Completion of this Joint Venture project is expected this year.

Whitby—Brooklin

The first phase of an official study done for the Town of Whitby indicates that development in Brooklin is economically feasible. The second phase of the study, which is the preparation of the secondary plan, is expected to be completed in 1977. Your Company is a 50% owner in this Joint Venture, which controls 1,250 acres, and manages this development. It is expected that approvals for construction will be received in the near future.

Whitby—Thickson Road

We are actively pursuing approval of our residential land which will consist of 420 street townhouses and apartments. The Company owns 26 acres adjoining this land which have been designated on the official plan as a shopping centre site.

Whitby—West Lynde Estates

Your Company sold land in the past year zoned for 120 condominium townhouses. This completes the project.


Land held for future development

The following summary of your Company's residential projects consists of housing completed in 1976, construction currently underway and housing construction planned.

Brampton

—The Villages of Heart Lake Consolidated Building Corporation has a 50% interest in this land Joint Venture and is the managing partner. In addition, your Company has purchased lots from the Joint Venture for its own building program. To date, we have begun construction on 351 street townhouses, most of which qualify under the A.H.O.P. program. Another 161 units are now in the planning stage with a target date for construction in the fall of 1977. We anticipate that as further phases are released, your Company will be acquiring additional lots for its building program.

Burlington

We have purchased building lots in Burlington for 80 semi-detached units on which we expect to begin construction in the fall of this year.

Clarkson—Inverhouse Manor

At the time of writing, only two of the 125 suites of this luxury condominium remain unsold. Many innovative features were incorporated in the design of this building—one of which is the glass-enclosed garden in the core of the underground garage. The project has been registered and is operated by our property management department.

Guelph

During the past year your Company completed the registration and sale of 62 townhouses built under the H.O.M.E plan. This project is now managed by our property management department.

Kitchener

We will commence construction this summer on an initial phase of 150 homes in the City of Kitchener. We have negotiated the acquisition of further lots in Kitchener sufficient for a 3-year building and selling program. The homes designed for this area are being geared to the lower priced market.

Mississauga—Erin Mills

Another 28 semi-detached units are under construction to supplement the 62 semi-detached homes started earlier. Sales are progressing well and we anticipate a complete sellout this year.

A street townhouse, nearing completion,
The Villages of Heart Lake, Brampton

Semi-detached homes, Erin Mills, Mississauga

Scarborough—Malvern
In keeping with our policy of building affordable housing, an additional 36 detached homes are being built to supplement the 70 that were built last year under the H.O.M.E. plan. These homes are in the completion stage and are all sold and occupied.

Toronto—Lonsdale House
A luxury condominium in the Forest Hill section of the City of Toronto, this 84-suite building is registered and fully occupied. Consolidated Building Corporation has a 50% interest in this Joint Venture and manages and maintains the project.

Toronto—The Masters
This registered condominium development overlooking the Markland Wood Country Club is a forerunner in the field of luxury adult condominiums. Its distinction is derived from its unique design, location and country club amenities. The Masters features split-level and 2- storey suites. The elegant apartments are complemented by extensive private facilities: indoor and outdoor pools, squash courts, tennis courts, billiards room, golf practice room, photo lab, pottery and crafts room and party room for entertaining larger groups.

The prices in this 496-suite project range from $60,000 to over $90,000. This is a Joint Venture in which your Company has a one-third interest and manages the property.

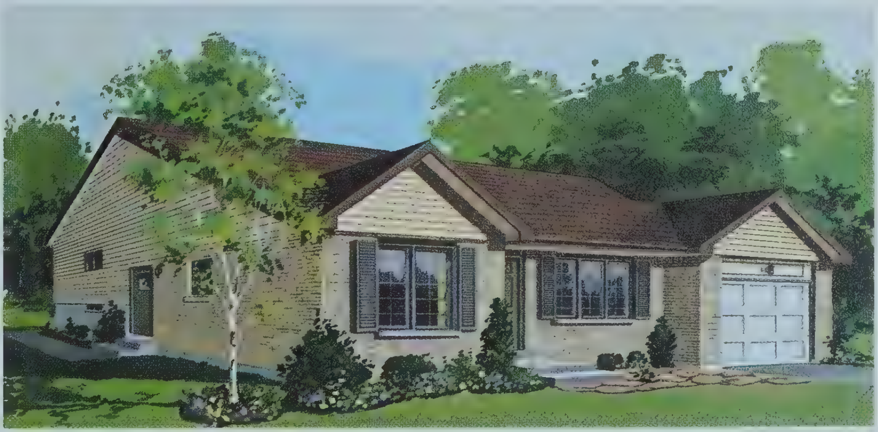
Toronto—Urban Habitat Inc.
Construction has commenced on a redevelopment project of 97 townhouses at Queen and Leslie Streets. These units are being built to sell under the A.H.O.P. limit of $47,000.

Land has been purchased on Broadview Avenue for the development of 193 townhouses to be built under the A.H.O.P. program. Application has been submitted for a building permit and work should commence during 1977.

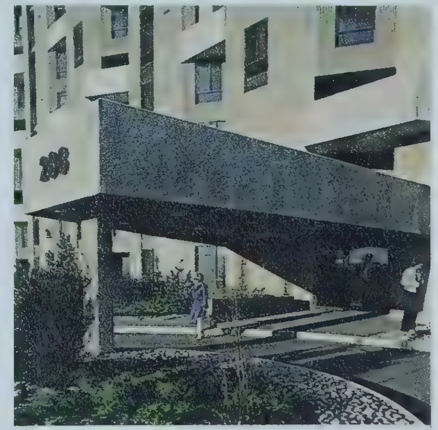
We have also purchased land at the corner of Church and Carlton Streets in the inner city for redevelopment. This site is opposite Maple Leaf Gardens. The development will be a blend of luxury townhouses, condominium apartments for downtown executives, condominium apartments for A.H.O.P. purchasers and retail stores.

Urban Habitat Inc. is a Joint Venture in which your Company has a 50% interest. Consolidated Building Corporation is the building partner in the aforementioned three projects.

The Masters, a luxury
condominium in Etobicoke



Artist's rendering of single
family homes, Kitchener, Ontario



Entrance to The Masters

Investment Properties

In addition to managing revenue producing properties owned by your Company, this division also manages on a fee basis residential properties registered under the Condominium Act. The total number of residential units managed by your Company is approximately 2,900.

Barrie—Shopping Plaza
This plaza, located at the south end of Barrie alongside Highway 400, consists of 23 retail stores, a large bowling centre and a gas bar. The plaza is fully occupied and the income has improved annually. Negotiations are underway for the leasing of additional space and plans are being prepared to increase the rentable area from 87,500 square feet to 162,000 square feet. Should these negotiations prove successful, we plan to convert the plaza to an enclosed mall.

Toronto—40 Gerrard Street East
This 34-storey apartment building of 440 dwelling units, which was completed in 1974, continues to enjoy almost full occupancy. In addition, the office and retail space on the ground floor has now been leased.

Toronto—Walmer Place
This 19-storey building on Bloor Street West was a forerunner in what is now being proposed by the City of Toronto for future core development, a mix of retail, commercial and residential in one complex. The building has no vacancies and revenue continues to increase.

Toronto—The Crossways
Construction is now complete on this $30 million project. The enclosed mall shopping centre on the ground floor is 85% leased and open for business.

The first 29-storey residential tower, totalling 457 apartment units, was released for rental in February, 1976 and was 100% rented by October. We commenced renting the second 29-storey tower in June, 1976 and over 80% of its 594 dwelling units are now leased.

Toronto—National Motor Inn
Your Company continues to own the real estate. The premises have been leased.

Toronto—99 Avenue Road
Your Company manages this building on a lease arrangement. The Company's head office is maintained here and the balance of its 70,000 square feet is principally leased as a medical building.

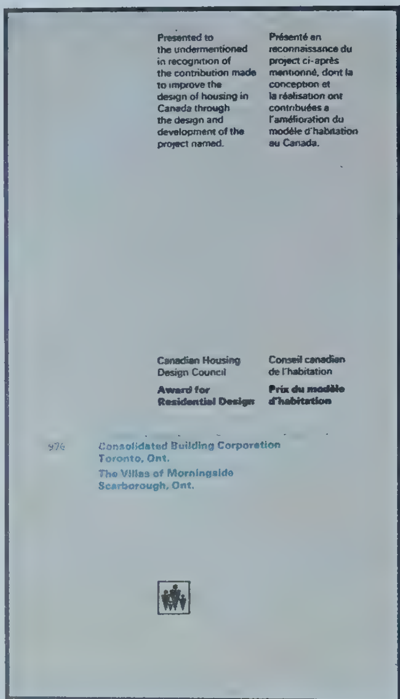
Toronto
—260 Richmond Street West
Consolidated Building Corporation manages this six-storey downtown building primarily used for offices and manufacturing.

Whitby—Industrial Development
This 38,600 square foot building is fully leased. The principal tenant is the Regional Government of Durham. This is a Joint Venture in which your Company has a 50% participation.

The sunlit indoor pool
at The Crossways

40 Gerrard Street East, Toronto

The Crossways, Toronto


Presented to the undermentioned in recognition of the contribution made to improve the design of housing in Canada through the design and development of the project named.

Présenté en reconnaissance du project ci-après mentionné, dont la conception et la réalisation ont contribuées a l'amélioration du modèle d'habitation au Canada.

Canadian Housing Design Council

Conseil canadien de l'habitation

Award for Residential Design

Prix du modèle d'habitation

976

Consolidated Building Corporation
Toronto, Ont.
The Villas of Morningside
Scarborough, Ont.

Award

Consolidated Building Corporation was named the recipient of three design awards presented by the Canadian Housing Design Council for 1976. The Meadowvale townhouses, designed by architects Tampold and Wells, and the Villas of Morningside, designed by Boigon and Armstrong, each received an award for residential design. The Central Park Development, designed by architect Henry Fleiss, received honorable mention.


Villas of Morningside,
Scarborough


Meadowvale Townhouses,
Mississauga

Consolidated Statement of Earnings
For The Year Ended February 28, 1977
(with comparative figures for 1976)

Revenue	1977	1976
Sale of real estate (note 1e)	$35,714,000	$27,978,000
Gross income from investment properties (note 1e)	3,246,000	3,047,000
Interest, management fees and sundry income	1,375,000	1,256,000
	40,335,000	32,281,000
Expenditures		
Cost of real estate sold	27,646,000	21,765,000
Operating expenses of investment properties (excluding interest and depreciation)	2,309,000	2,146,000
Selling, general and administrative expenses	2,056,000	1,903,000
Interest expense (note 10)	1,520,000	1,511,000
Depreciation and amortization of investment properties (note 1b)	298,000	209,000
	33,829,000	27,534,000
Earnings for the year before income taxes	6,506,000	4,747,000
Income taxes—current	10,000	2,275,000
—deferred	3,190,000	100,000
	3,200,000	2,375,000
Earnings for the year	$ 3,306,000	$ 2,372,000
Earnings per share	52¢	37¢

(The accompanying notes are an integral part of the financial statements.)

Consolidated Statement of Retained Earnings
For The Year Ended February 28, 1977
(with comparative figures for 1976)

	1977	1976
Retained earnings, beginning of year	$10,015,000	$ 8,598,000
Add earnings for the year	3,306,000	2,372,000
	13,321,000	10,970,000
Deduct dividends paid	955,000	955,000
Retained earnings, end of year	$12,366,000	$10,015,000

(The accompanying notes are an integral part of the financial statements.)

Consolidated Building Corporation Limited (Incorporated under the laws of Ontario)

Consolidated Balance Sheet
February 28, 1977
(with comparative figures for 1976)

Assets	1977	1976
Cash	$ 1,143,000	$ 583,000
Mortgages and sale agreements receivable (note 2)	10,134,000	8,303,000
Other receivables	5,097,000	9,980,000
Income taxes recoverable	993,000	
Deposits on land (note 9)	214,000	152,000
Housing completed and under construction (note 1c)	14,498,000	15,535,000
Land held for development and sale (note 1c)	36,277,000	30,447,000
Investment properties (notes 1b, 1d, and 3)	40,666,000	35,388,000
Sundry	416,000	195,000
	$109,438,000	$100,583,000

(The accompanying notes are an integral part of the financial statements).

On behalf of the Board:

Director L Shoufman

Director DN Morris

Liabilities	1977	1976
Bank indebtedness (note 4)	$ 11,112,000	$ 9,403,000
Accounts payable and accrued liabilities	12,745,000	9,309,000
Income taxes payable		90,000
Deposits and other trust funds	566,000	3,326,000
Mortgages on housing completed and under construction	7,868,000	9,547,000
Other mortgages and secured loans (note 5a)	19,222,000	18,931,000
Mortgages on investment properties (note 5a)	26,389,000	23,532,000
6¼% sinking fund debentures due February 1, 1979 (note 5b)	722,000	1,172,000
Deferred income taxes	10,661,000	7,471,000
Contingent liabilities (notes 6 and 8)		
Total Liabilities	89,285,000	82,781,000
Shareholders' Equity		
Capital stock (note 7)		
Authorized:		
13,946,400 common shares without par value		
Issued:		
6,368,329 common shares without par value	7,787,000	7,787,000
Retained earnings	12,366,000	10,015,000
Total shareholders' equity	20,153,000	17,802,000
	$109,438,000	$100,583,000

Auditors' Report

To the Shareholders of
Consolidated Building Corporation Limited:

We have examined the consolidated balance sheet of Consolidated Building Corporation Limited as at February 28, 1977 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at February 28, 1977 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
June 2, 1977.

Clarkson, Gordon & Co.
Chartered Accountants

Consolidated Building Corporation Limited

Consolidated Statement of Changes in Financial Position
For The Year Ended February 28, 1977
(with comparative figures for 1976)

Funds were provided from:	1977	1976
Earnings for the year	$ 3,306,000	$ 2,372,000
Add charges not requiring current cash outlay		
Deferred income taxes	3,190,000	100,000
Depreciation and amortization	298,000	209,000
Other	17,000	1,000
Funds provided from operations	6,811,000	2,682,000
Decrease in other receivables	4,883,000	(6,371,000)
Increase in accounts payable	3,436,000	(1,001,000)
Mortgages on investment properties	2,857,000	8,692,000
Decrease in housing inventory	1,037,000	7,383,000
Increase in other mortgages and secured loans	291,000	(2,185,000)
	19,315,000	9,200,000
Funds were used for:		
Land held for development	5,830,000	1,975,000
Investment properties	5,576,000	11,264,000
Application of deposits and other trust funds	2,760,000	(2,968,000)
Increase in mortgages and sale agreements receivable	1,831,000	(2,751,000)
Income taxes	1,083,000	(265,000)
Dividends	955,000	955,000
Reduction in mortgages on housing	1,679,000	4,572,000
Repayment of sinking fund debentures	442,000	983,000
Sundry	308,000	(31,000)
	20,464,000	13,734,000
Increase in bank indebtedness, net of cash	1,149,000	4,534,000
Bank indebtedness net of cash, beginning of year	8,820,000	4,286,000
Bank indebtedness net of cash, end of year	$ 9,969,000	$ 8,820,000

(The accompanying notes are an integral part of the financial statements.)

Notes to Consolidated Financial Statements
February 28, 1977

1. Accounting policies

(a) Consolidation–
The accounts of all subsidiary companies have been included in the consolidated financial statements. Joint ventures are accounted for using the proportionate consolidation method under which the company's pro rata share of each of the assets, liabilities, revenues and expenses of each joint venture is included in the financial statements.

(b) Depreciation–
The Company records depreciation on buildings held for investment purposes on a 4%, forty year sinking fund basis. The depreciation charge, which increases annually, consists of a fixed annual sum together with an amount equivalent to interest compounded at the rate of 4% per annum.

Depreciation on equipment is recorded on a 10% straight-line basis.

Leasehold improvements are written off in equal annual instalments over the terms of the leases.

(c) Housing completed and under construction and land held for development and sale–
These items include the cost of land, land improvements, building construction costs and all carrying costs such as mortgage interest, realty taxes, legal fees and other direct expenses plus a portion of interest on general borrowings considered directly applicable.

The Company provides for the immediate write-off of any costs which are not recoverable from the proceedings of future sales. Accordingly, the carrying value of these inventories is less than estimated realizable value.

(d) Investment properties–
Investment properties are carried at cost, which includes mortgage interest, property taxes, legal fees and certain overhead expenses (excluding general and administrative expenses) capitalized during the construction and initial leasing periods.

(e) Revenue recognition—
Revenue from the sale of single or semi-detached housing is recognized when each house is completed and accepted by the purchaser.

Revenue from the sale of condominiums is recognized when the amount due on closing is received, the purchaser is entitled to occupancy and undertakes to accept responsibility for payment of the balance of the purchase price and a substantial portion of the units in the project have been occupied.

Revenue from investment properties is recognized commencing from the time 70% occupancy is achieved. Prior to this time, all operating and carrying cost, less rental revenue are capitalized as costs of the project.

Revenue from the sale of land is recognized when all material requirements related to the sale agreement have been met and when risks of ownership have been transferred to the purchaser.

(f) Foreign exchange translations—
Foreign currency indebtedness is recorded at the current rate of exchange prevailing at the balance sheet date for amounts repayable within one year and, for amounts not repayable within one year, at the exchange rate prevailing when the liability was incurred.

(g) C.I.P.R.E.C.—The Company is a member of the Canadian Institute of Public Real Estate Companies. The Company's accounting policies and its standards of financial disclosure are substantially in accordance with the recommendations of that Institute.

2. Mortgages and sale agreements receivable

Mortgages and sale agreements receivable bear interest at rates up to 12% and mature as follows:

Fiscal years ending	
1978	$ 2,535,000
1979	6,357,000
1980	102,000
1981	495,000
1982	536,000
Thereafter	109,000
	$10,134,000

The mortgage and sale agreements contain partial discharge clauses which permit prepayment of the receivables.

3. Investment properties, at cost

These consist of:

	1977	1976
Buildings	$35,741,000	$11,177,000
Equipment	1,424,000	1,075,000
Leasehold improvements	596,000	533,000
Parking lot	285,000	285,000
Building under construction		19,391,000
	38,046,000	32,461,000
Less accumulated depreciation and amortization	1,736,000	1,439,000
	36,310,000	31,022,000
Land	4,356,000	4,366,000
	$40,666,000	$35,388,000

4. Bank indebtedness

The Company and the joint ventures in which it participates, have issued and deposited with its bankers, as collateral security, demand debentures, mortgages in respect of the bank loans and letters of credit outstanding (see note 8). The debentures are secured by a first floating charge on the assets of the Company and one of its joint ventures. In addition, accounts receivable and certain mortgages receivable have been assigned to the bankers.

5. Other secured debt

(a) Other mortgages and secured loans of $19,222,000 and mortgages payable on investment properties of $26,389,000 bear interest at rates varying from 7% to 16%. Principal repayments are due as follows:

	Other Mortgages and secured loans	Mortgages on investment properties
Fiscal years ending		
1978	$ 1,752,000	$ 116,000
1979	5,045,000	16,293,000
1980	5,864,000	6,812,000
1981	1,172,000	1,071,000
1982	1,275,000	1,928,000
Thereafter	4,114,000	169,000
	$19,222,000	$26,389,000

Mortgages on investment properties include bank loans of $16,837,000 payable in U.S. funds, secured by certain mortgages. These loans are due on demand; however, the bank has indicated that it will not request repayment of $15,837,000 until September 1978 and $1,000,000 until July 1981. The Company covered its liabilities in U.S. funds to the extent of $15,837,000 by purchase of U.S. dollar forward exchange contracts.

In certain circumstances, the mortgages include the right of early discharge.

It has been the policy of the Company to negotiate the renewal of mortgages on investment properties as they mature.

(b) The 6¼% sinking fund debentures are to be retired by payments of $622,000 in 1978 and $100,000 in 1979.

6. Investment in joint ventures

The combined financial position of the joint ventures in which the Company has an equity interest is as follows:

		1977		1976
Assets	Combined Total	Company's Interest	Combined Total	Company's Interest
Cash	$ 458,000	$ 153,000	$ 2,580,000	$ 547,000
Mortgages and sale agreements receivable	23,931,000	8,462,000	2,358,000	1,291,000
Other receivables	1,410,000	559,000	114,000	58,000
Deposits on land			303,000	152,000
Housing completed and under construction	19,082,000	6,422,000	29,360,000	9,881,000
Land held for development and sale	48,004,000	23,988,000	42,592,000	21,024,000
Investment properties	1,470,000	735,000	1,525,000	762,000
Sundry	18,000	9,000	29,000	15,000
	$94,373,000	$40,328,000	$78,861,000	$33,730,000
Liabilities				
Bank indebtedness	12,581,000	3,959,000	14,156,000	4,519,000
Accounts payable and accrued liabilities	11,586,000	5,568,000	3,563,000	1,372,000
Due to joint ventures		722,000		1,922,000
Deposits and other trust funds	358,000	167,000	3,349,000	1,127,000
Mortgages on housing completed and under construction	9,139,000	3,052,000	12,102,000	4,072,000
Other mortgages and secured loans	23,508,000	8,657,000	21,651,000	10,826,000
	57,172,000	22,125,000	54,821,000	23,838,000
Participants' Equity	37,201,000	18,203,000	24,040,000	9,892,000
	$94,373,000	$40,328,000	$78,861,000	$33,730,000

The amounts shown as "Company's interest" above are included under their respective captions in the consolidated balance sheet.

The Company has guaranteed the other participants' share of the bank indebtedness of a joint venture to the extent of $5,871,000 at February 28, 1977. These other participants in this joint venture have undertaken to indemnify the Company in the event that it is required to fulfill this commitment.

7. Capital stock

Under the Company's share participation plan, 109,000 common shares were reserved as at February 28, 1977 for officers and other key employees at prices equal to the market value on the business day immediately before the day of issue. The Company provides interest-free loans to participants in the plan to assist with the purchase of these shares. As at February 28, 1977, loans of $392,000 (1976—$429,000) were outstanding, of which $313,000 (1976—$332,000) were due from officers and directors.

As at June 2, 1977, the Company had reserved 35,000 of the authorized and unissued common shares for options which are exercisable at $2.91 up to July 1, 1977. Options to purchase 12,000 shares at $2.34 were exercised April 1977.

8. Contingent liabilities (note 6)

The Company has lodged letters of credit aggregating $3,471,000 with municipalities and utilities as security for the fulfilment of its obligations under certain subdivision agreements.

9. Commitments

The Company in the ordinary course of business has commitments to purchase lands, complete servicing of land under development and complete buildings under construction.

The Company leases a building under a long-term lease requiring approximate annual rentals of $242,000 to 1984 (with varying rates thereafter).

10. Statutory information

The aggregate direct remuneration of directors and senior officers (as defined under the Ontario Business Corporation Act) amounted to $500,000 in the 1977 fiscal year (1976—$460,000).

Interest incurred during the year totalled $5,666,000 of which $1,520,000 was expensed in the consolidated statement of earnings with the remaining amount being capitalized. Capitalized interest is charged to earnings during the year and in future years, as part of the cost of real estate sold and through the depreciation of investment properties.

11. Anti-Inflation legislation

The Company is subject to the Federal Government's Anti-Inflation Act and Regulations which became effective October 14, 1975, and to the Residential Premises Rent Review Act of the Province of Ontario which became effective on July 29, 1975.

As a result the Company's ability to change residential rents, increase employee compensation and pay dividends subsequent to the dates of the respective legislation is restricted. Management is of the opinion that the company is in compliance with the requirements of the anti-inflation and rent legislation.

Canadians have the right to be housed according to their needs and wants. The responsibility to provide that housing should be shared by all elements in society. However, there is a variety of conflicting social and economic considerations that constantly frustrate our efforts to carry forth this responsibility.

On the positive side, the housing and development industry has stressed higher standards of quality in construction and a more efficient utilization of its labour forces, in order to keep to a minimum the increase in house prices.

In addition, a general drop in interest rates within the Canadian economy has had its effect felt in the housing industry. This has resulted in mortgage interest rates being reduced from a general level of 12½ percent, to 10¼ percent thereby reducing monthly carrying charges by $78. on a typical $50,000 mortgage.

Unfortunately, however, there are conflicting forces at work that offset the advantages of lower mortgage rates and other benefits.

The cost to your company of preparing for the construction period continues to increase—no matter what the trend of interest rates. At one time, a period of two years for planning, design and obtaining municipal authorization was a reasonable expectation. Today, a developer can expect up to seven years to elapse before necessary community and government agency approvals can be won.

It is during this development cycle that costs could and should be reduced.

For many home owners, rising municipal taxes probably exceed the savings in monthly payments realized from the recent decline in mortage interest rates.

In addition, government subsidization grants and loans—aimed at easing the path into home ownership by reducing the initial equity downpayment—often act to increase the ultimate financial burden on the purchaser when the subsidies have expired.

Still the strong desire of Canadians to own their own homes is evidenced by the large number of young families that continue to undertake financial obligations of $300 to $600 a month to cover monthly principal, interest and tax payments on new houses.

There has been a distinct lack of social responsibility demonstrated over the past few years by many municipalities which have demanded that the builder-developer pay levies of $3,500 to $5,000 for the "privilege" of building, and which have dictated an increase in the standards of engineering services to levels far exceeding what is necessary or economical.

Fortunately, there are signs that this sort of resistance is gradually breaking down as politicians become more sensitive to the adverse effects the housing shortage can have on their communities.

One Metro Toronto borough has recently indicated that it will approve construction of an experimental, modified zero-lot-line subdivision, utilizing the latest engineering and design techniques to reduce over-all costs and eliminate any necessity for excessively high servicing standards.

So, while builders and municipal governments do appear to be demonstrating a heightened awareness of the social obligations implicit in the provision of housing, it is distressing to note the emergence of yet another potentially serious roadblock to residential construction.

I'm referring to the increased incidence of the "I'm all right Jack" syndrome being exhibited by established home owners who often feel threatened when the question of additional development in their particular neighbourhood arises.

This sort of attitude generally manifests itself in the form of local ratepayer groups voicing strident opposition to new construction on the basis of understandable, yet often unwarranted fears of the negative influence that the proposed development might have on their property values.

What it amounts to is: "Sure I want to see other people adequately housed. Just don't house them on my street or in my neighbourhood."

Isolated examples of this have been encountered in the past, but they are becoming more widespread and could seriously hamper efforts to relieve the housing shortage in the moderate low income ranges. In fact, a government subsidized AHOP townhouse development recently proposed for a site in the heart of Toronto—where housing needs are greatest—has been delayed by organized opposition from some local ratepayers.

These pressure groups, although they represent only a small segment of the population, are often able to muster sufficient political clout to block or seriously delay the construction of new homes. And, of course, this ability to frustrate the development process only aggravates the shortage and adds to the ultimate cost of new housing coming onto the market.

There is no question that government, the development industry and the general public have diverse, and sometimes conflicting, interests. But if we are serious about our commitment to provide affordable housing for future generations, we must attempt to avoid using the politics of self-interest to frustrate the fulfillment of the social obligation we share.

Consolidated Building Corporation Limited 99 Avenue Road Toronto Ontario M5R 2G5 Telephone (416) 925-2851

consolidated
building corporation

Consolidated Building Corporation Limited

Consolidated Statement of Changes in Financial Position (Unaudited)

For the Six Months Ended August 31, 1976
(with comparative figures for 1975)

	1976	1975
Sources of Funds:		
Earnings for the six months	**$ 2,167,000**	$ 1,094,000
Add non cash items		
Deferred income taxes	**1,500,000**	450,000
Depreciation and amortization	**116,000**	136,000
Other	**10,000**	(7,000)
Funds provided from operations	**3,793,000**	1,673,000
Mortgages — investment properties	**1,926,000**	5,236,000
Accounts payable	**2,195,000**	(5,027,000)
Decrease in mortgages, sale agreements and sundry receivables	**3,646,000**	858,000
Other mortgages	**268,000**	(1,416,000)
	11,828,000	1,324,000
Applications of Funds:		
Dividend	**478,000**	478,000
Investment properties	**3,410,000**	5,433,000
Deposits on land	**628,000**	(4,000)
Housing inventory	**136,000**	(1,741,000)
Land held for development	**4,169,000**	(709,000)
Decrease in progress billings, land and housing deposits	**966,000**	(818,000)
Decrease in housing mortgages	**2,320,000**	1,452,000
Sundry	**52,000**	(11,000)
Sinking fund debentures	**27,000**	612,000
	$12,186,000	$ 4,692,000
Increase in bank indebtedness, net of cash	**358,000**	3,368,000

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99 Avenue Road, Toronto, Canada M5R 2G5

Consolidated Building Corporation Limited

INTERIM REPORT

For the Six Months Ended

AUGUST 31, 1976

6 MONTHS

Report to the Shareholders:

Substantial increases in revenue, net profit, earnings and cash flow per common share were achieved in the six months ended August 31, 1976.

Net earnings totalled $2,167,000 or 34¢ per share which was double the profit earned over the same period last year. Total revenue increased to $18,083,000 from $13,997,000 and cash flow per share increased to 59.6¢ from 26.3¢.

Although house sales are reported to be slow in the Toronto area, I am pleased to report that the sales in our newly opened development, the villages of Heart Lake, have been more than satisfactory. We have sold 180 houses in a seven-week period. We can safely predict at this time that the total development should be an overwhelming success.

Your Company has completed its two H.O.M.E. projects in Guelph and Malvern and has recently been awarded a third project in Malvern.

Our newest rental project, the Crossways, continues to rent well with the first apartment tower of 457 suites being fully rented and the second tower being 25% rented. The Podium Shopping Concourse is now 85% leased with many of the stores now opened.

We expect satisfactory earnings during the second half and look forward to improved revenue and profits for the year.

Lawrence Shankman
President and Chief Executive Officer

Highlights
Six Months Ended August 31, 1976

	1976	1975
Revenue	**$18,083,000**	$13,997,000
Net Profit	**2,167,000**	1,094,000
Net Profit per share	**34.0¢**	17.2¢
Cash flow from operations	**3,793,000**	1,673,000
Cash flow per share	**59.6¢**	26.3¢

Consolidated Building Corporation Limited

Consolidated Statement of Earnings (Unaudited)

For the Six Months Ended August 31, 1976
(with comparative figures for 1975)

	1976	1975
Revenue:		
Sale of real estate	**$18,083,000**	$12,237,000
Gross income from investment properties	**1,514,000**	1,415,000
Interest, management fees and sundry income	**817,000**	345,000
	20,414,000	13,997,000
Expenditures:		
Cost of real estate sold	**12,949,000**	9,123,000
Operating expenses of investment properties (excluding interest and depreciation)	**1,220,000**	983,000
Selling, general and administrative expenses	**1,050,000**	971,000
Interest expense	**832,000**	579,000
Depreciation and amortization of investment properties	**116,000**	136,000
	16,167,000	11,792,000
Earnings for the period before income taxes	**4,247,000**	2,205,000
Income taxes — current	**580,000**	661,000
— deferred	**1,500,000**	450,000
	2,080,000	1,111,000
Earnings for the period	**$ 2,167,000**	$ 1,094,000
Earnings per share	**34.0¢**	17.2¢